

## FUEL USERS

### An Educational Guide to Fuels Tax, Sales Tax and Refunds Available in the State of Idaho

This brochure explains the Idaho tax laws that apply to motor fuels. The information is based on the tax laws and rules in effect on May 1, 2003.

#### Fuels Tax

##### Types of motor fuels

Gasoline includes gasahol and any mixture of fuels suitable for use in a gasoline engine. Aircraft engine fuel includes aviation gasoline and jet fuel. Special fuels include undyed diesel, dyed diesel, biodiesel, diesel blends (e.g. B-20), and any other fuels suitable for use in a diesel engine. Special fuels also include propane and natural gas.

##### When do I pay fuels tax?

Fuels tax is paid by licensed fuel distributors. The cost of the fuels tax is included in the price paid for delivered fuel or fuel purchased at the retail pump. There are two exceptions to this general rule:

- **Dyed Diesel** — Diesel that has been dyed red is not subject to the Idaho fuels tax when purchased. It is unlawful to use dyed diesel in a motor vehicle (except as noted below). If dyed diesel is improperly used, it is subject to fuels tax.

Note: there are two types of dyed diesel, low sulfur and high sulfur. Both types of dyed diesel may be used in unregistered equipment, stationary engines, combines, tractors, etc. The EPA prohibits use of high sulfur dyed diesel in motor vehicles. The IRS allows low sulfur dyed diesel to be used by certain bus companies and in vehicles operated exclusively by state or local government. If you have questions about the use of dyed diesel, contact your nearest Tax Commission office.

- **Gaseous Fuels** — Propane and natural gas are subject to fuels tax only when placed into the supply tank of a licensed motor vehicle. The customer pays the tax on gaseous fuels when they are purchased, unless the vehicle displays a current gaseous fuels decal.

##### What qualifies for a fuels tax refund?

If you paid Idaho fuels tax on fuel that was used in any of the following ways, you can apply for a refund:

###### **GASOLINE**

The gasoline tax is refundable if you purchased at least 50 gallons of gasoline in a calendar year and it was used in:

- A stationary engine
- Unregistered off-road equipment (snowmobiles or motorcycles do not qualify)
- A motor vehicle's auxiliary engine
- A motor vehicle that is not required to be registered
- A commercial motor boat (a personal pleasure boat does not qualify)

## **SPECIAL FUELS**

The special fuels tax is refundable for any use other than to propel or operate a motor vehicle on a public road. Special fuels are nontaxable if used in:

- Unregistered off-road equipment
- A stationary engine
- A refrigeration unit
- A motor vehicle to operate its power take-off equipment and/or auxiliary engine
- A motor vehicle owned and operated or leased and operated by the federal government or the state of Idaho, including its political subdivisions
- A motor vehicle that is operated on roads that are not open to the public
- A heating device (home furnace, space heater, etc.)

## **AIRCRAFT ENGINE FUEL**

If you purchased gasoline or undyed diesel with the \$.25 fuels tax included and used the fuel in an aircraft, you may apply for a refund of the difference between the gasoline or diesel fuels tax rate and the aircraft engine fuels tax rates (\$.045 for jet fuel and \$.055 for aviation gasoline).

## **How do I apply for a fuels tax refund?**

### **FORM 75**

You may file a Form 75 to claim a refund of Idaho fuels tax if:

- Idaho fuels tax was paid at the time of purchase, and
- You used the fuel in a nontaxable manner.

Your refund claim must cover a period of at least one month, but no more than 12 months.

You must file a worksheet with your Form 75 in the circumstances described below:

- If your vehicles are driven only in Idaho, use a Form 75-IMV worksheet to calculate your motor fuels tax if
  - The motor vehicle had nontaxable miles (special fuels only), or
  - Fuel from the motor vehicle's supply tank was used to operate the vehicle's power take-off equipment (special fuels only) and/or auxiliary engine (special fuels and gasoline)
- If you are an International Fuels Tax Agreement (IFTA) licensee, use a Form 75-IC worksheet to calculate an Idaho motor fuels tax refund if fuel from the motor vehicle's supply tank was used to operate the vehicle's power take-off equipment (special fuels only) and/or auxiliary engine (special fuels and gasoline).

### **IFTA RETURN**

If you are licensed under IFTA, an Idaho fuels tax credit is allowed on the IFTA Return if your Idaho tax-paid fuel purchases exceed your Idaho taxable fuel. This occurs when you purchase more tax-paid fuel in Idaho than you use on Idaho highways.

Only fuel placed directly into the fuel supply tank of an IFTA fleet vehicle may be included in the IFTA return.

You must file a Form 75 to receive an Idaho refund for fuel placed into a separate supply tank, such as the tank for a refrigeration unit. You must claim credits due from other jurisdictions directly from those jurisdictions according to their laws.

IFTA regulations do not allow a credit to be taken on the IFTA Return for fuel used to operate the motor vehicle's power take-off equipment and auxiliary engines. You must file a Form 75 and a 75-IC worksheet to receive a refund of the Idaho fuels tax for Idaho's portion of fuel used to operate the motor vehicle's power take-off equipment and auxiliary engine. Refunds due from other jurisdictions for tax paid on fuel use for these purposes must be claimed from the other jurisdictions according to their laws.

You may not file a Form 75 to claim a special fuels tax refund for nontaxable miles traveled by your IFTA fleet vehicles that are operated under your IFTA license. The credit for the nontaxable miles in each jurisdiction may be taken on your IFTA return.

## Sales Tax

Purchases of gasoline, aircraft engine fuel, and special fuels subject to Idaho fuels tax are exempt from Idaho sales tax. If fuel is sold without the fuels tax, such as dyed diesel fuel, the sale is subject to sales tax unless the purchase qualifies for an exemption under the Idaho Sales Tax Act.

### When are my fuel purchases exempt from sales tax?

The following sales tax exemptions most commonly apply to fuel users:

#### LOGGING

- Fuel used in equipment while performing exempt logging activities
- Fuel used off-highway in a logging truck (undyed diesel only)

#### FARMING

- Fuel used in equipment while performing exempt farming activities (fuel used in a vehicle required to be registered does not qualify for this exemption, even when the vehicle is used off-road)

#### MANUFACTURING

- Fuel used in tax-exempt equipment
- Fuel used in the production process

#### HEATING AND COOKING

- Fuel used for heating a home, building, or recreational vehicle
- Fuel used for cooking

#### PROPANE

- Purchased in quantities of 15 gallons or less

### How do I document transactions that are exempt from sales tax?

You must fill out Form ST-101 and provide it to your supplier to document the sales tax exemption.

A Form ST-101 is not required for deliveries of heating fuel or for purchases of propane in quantities of 15 gallons or less.

## Use Tax

### What is use tax?

Use tax is a companion to the sales tax. Every state that has a sales tax also has a use tax.

### When do I owe use tax?

You owe use tax if you use, consume, or store tangible personal property in Idaho and you have not paid sales tax on it (unless the item qualifies for a sales tax exemption).

### How does use tax apply to fuels?

If you purchase tax-paid motor fuel and then receive a refund of the fuels tax, you may owe use tax on the motor fuel purchase unless the use qualifies for a sales tax exemption. Typically, the sales tax exemptions for fuels also apply when

the fuel is subject to use tax. Use tax is due on the total purchase price of the fuel minus the Idaho fuels tax refunded. Any federal fuels tax included in the purchase price may be subtracted from the purchase price if you are eligible to receive a refund of the federal tax on that fuel.

If you are not sure whether your use of the fuel qualifies for a sales tax exemption, contact your nearest Tax Commission office.

A business must obtain an Idaho Use Tax Permit and report and pay the use tax monthly or quarterly. Individuals may pay the use tax in three different ways: on an Idaho sales tax return, annually on their individual income tax return, or by completing the Form 75.

This information was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Tax Commission.